

**MINUTES OF OCTOBER 11, 2012 RETIREMENT BOARD  
CITY OF ALEXANDRIA FIREFIGHTERS AND POLICE OFFICERS  
PENSION PLAN  
INTERIM MEETING**

**PRESENT**

<u>Members</u>	<u>Others</u>
Michael Cross <sup>1,4,6</sup> , Chairman	Steven Bland, Retirement Administrator
Michele Evans <sup>2,3</sup> Secretary	Kadira Coley, Retirement Specialist
Patrick Evans <sup>2,3</sup> (Alternate)	Arthur Lynch, Retirement Specialist
Tom Gates	Theresa Nugent, Pension Comm. Specialist
Shirl Mammarella <sup>4,5</sup> (Alternate)	
Ed Milner <sup>1,2,3</sup>	
Jean Niebauer (Alternate)	
Morgan Routt <sup>1,5</sup>	
Al Tierney <sup>6</sup>	
Laura Triggs <sup>1,4,5</sup>	

<sup>1</sup>Adjustment Mechanism

<sup>2</sup>PLOP/DROP Committee

<sup>3</sup>Purchase of Service Credit Committee

<sup>4</sup>Technical Corrections Committee

<sup>5</sup>Training Opportunities Committee

<sup>6</sup>Vendor & Service Provider

**CALL TO ORDER**

The meeting was called to order at 8:36 AM on October 11, 2012.

**COMMITTEE REPORTS**

**ADJUSTMENT MECHANISM COMMITTEE**

Chairman Cross provided an overview of the committee's draft presentation. The themes were enumerated:

The financial environment has changed and pension costs have increased.

Provisions have changed in VRS and the Supplemental Retirement Plan, benefits are less, employee contributions are more, and retirement eligibility is more restrictive.

The Total Funding Rate replaces the term Actuarially Required Contribution (ARC).

The employee contribution rate had been fixed at 8%

Mr. Routt arrived at 8:40 AM.

Ms. Evans would like to see a presentation of changes in VRS contribution rates to parallel the illustration of changes to the Fire & Police plan changes. Staff said the VRS change in assumptions lessened the value of this comparison.

Ms. Evans suggested we list all possible solutions, such as: 1) do nothing, 2) the adjustment mechanism, 3) change benefits for new hires, etc.

Ms. Niebauer arrived at 8:52 AM.

Mr. Tierney suggested the presentation be limited to eight slides.

Mr. Gates asked how much employees understand of the scope of the issue. Various trustees provided a range of answers from rather familiar to unfamiliar. Mr. Gates asked The Board to clarify the purpose of meeting with employees as one of two potential themes:

- 1) To educate employees of the issues
- 2) To discuss solutions with employees

Mr. Tierney suggested those presenting to employees have two sets of PowerPoint files, one with ten slides and one with forty.

Mr. Milner said employees understand costs are rising. They understand parts are broken and some parts need fixing.

Ms. Nugent arrived at 8:59 AM.

Mr. Milner suggested a first meeting with labor leaders followed by a larger meeting open to all employees. He recommended identifying specific people to get an invite to the labor leader meeting and that they sit at a table and would have a voice. Others could attend the meeting but are only allowed to listen. The first meeting might be prior to the November 6<sup>th</sup> election.

The language of slide six mentions rates going up and it was suggested an edit to include that rates might also go down.

Staff suggested those involved in the budget process explain the timeline. This would clarify how much time there was for various meetings. Ms. Triggs said the budget was presented in February. Once the numbers were set in the budget, additional time is needed to write a plan amendment and the 60-day notice process.

Mr. Milner left at 9:20 AM.

Ms. Evans suggested that if there is both a long and short presentation that the long presentation is posted on line.

Mr. Gates recommended identifying which groups to include in individual meetings, to narrow the PowerPoint to specific discussion point. He would also like to see posted on line a meeting schedule going out 30, 45, or 60 days.

Ms. Mammarella asked about the Rate Relief mechanism that would trade an employee contribution rate increase for a benefit accrual reduction. Staff said the estimates were reasonable, but the actuary should make the final determinations. Chairman Cross indicated the idea was to put forth a cost neutral option.

Ms. Evans suggested that at presentations the committee be prepared to discuss Fairfax and Arlington Counties' approaches to dealing with pension pressures.

Ms. Niebauer left at 9:50 AM.

The meeting went into recess at 10:01 AM. The meeting resumed at 10:17 AM.

### **APPROVAL OF NOVEMBER 10 2011 MINUTES**

There was a motion by Mr. Tierney to:

Approve the September 13, 2012 minutes.
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Ms. Triggs seconded the motion. The motion was unanimously approved 7 – 0.

### **OLD BUSINESS**

Staff recommended the November agenda include up to two farmland vendor presentations and a presentation by Midcap core manager Champlain. The consensus was to do this.

### **COMMITTEE REPORTS** (Continued)

#### **BYLAWS COMMITTEE**

The Rules of Procedure, handout 4 (ii), were discussed. If approved the date on the second line will read October 11, 2012.” Ms. Evans and Mr. Gates suggested item II A, Regular Meetings reflect language that the meetings will be the second Thursday of the month, “where feasible”, or “unless another date is more practical.”

Section III C, Public Participation, should be revised to include, “except as noted in 2D” to say that executive session trumps the public participation.

Mr. Evans returned at 10:21 AM.

Attendance was discussed, but no resolution was reached.

There was a motion by Ms. Evans to:

Adopt the Rules of Procedure with the language of section II A and III C on Regular Meetings and Public Participation, edited as mentioned above.
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Mr. Tierney seconded the motion. The motion was unanimously approved 8 – 0.

#### PLOP DROP COMMITTEE

Staff summarized the events of the PLOP plan amendment and its implementation. Staff made a recommendation to disband the committee. There was a motion by Mr. Evans to:

Disband the PLOP/DROP Committee.
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Ms. Evans seconded the motion.

Discussion: No one has yet elected the PLOP, though several who are approaching retirement have requested estimates. Mr. Tierney suggested the committee not disband until after a retiree utilizes the PLOP provisions. Mr. Evans and Ms. Evans withdrew the motion.

#### PURCHASE OF SERVICE CREDIT COMMITTEE

The committee has not met since the last Board meeting.

#### TECHNICAL CORRECTIONS COMMITTEE

The committee has not met since the last Board meeting.

#### TRAINING OPPORTUNITIES COMMITTEE

Staff mentioned the upcoming AMRSVA meeting in Williamsburg. Staff volunteered to take any questions about pensions or investments to that meeting. Staff also asked for reimbursement for travel expenses and conference registration fees. There was a motion by Ms. Mammarella to:

Approve the travel and educational expenses for sending staff to the fall 2012 AMRSVA meeting in Williamsburg.
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Ms. Evans seconded the motion. The motion was unanimously approved 8 – 0.

#### VENDOR & SERVICE PROVIDER COMMITTEE

The committee has not met since the last Board meeting.

### **ADMINISTRATOR'S REPORT**

## REGULAR INVESTMENT REPORTS

Staff reviewed handout 5 (i) (a). Domestic equities are over their target allocation and international equities are below. This does not yet require rebalancing but it will be monitored. Staff recommends raising cash in the disability component by liquidating \$300,000 from the midcap allocation managed by Champlain.

There was a motion by Mr. Tierney to:

Provide standing approval for staff to draw assets from the asset class most exceeding its target whenever funds need to be transferred to pay benefits.

Ms. Triggs seconded the motion.

Discussion: Staff said the protocol should call for: 1) Staff should report any such liquidation to the board, and 2) The amount of the transfers should be limited to \$300,000. Mr. Tierney and Ms. Triggs said they were comfortable with staff's addition to the motion. The motion was unanimously approved 8 – 0.

The Cash Flow report was presented with limited comment.

## PLAN DOCUMENT RESTATEMENT

The plan document was restated to incorporate all plan amendments since the last restatement. However, the restatement has not yet gone to City Council for their approval. Therefore, it remains an unofficial working copy.

Ms. Niebauer returned at 10:50 AM.

## RFP KEN HOFFMAN/VENABLE

Staff reported that state law exempts legal services from the RFP process. Staff was working with other Finance Department employees to facilitate a contract renewal.

## FOLLOW UP ITEMS

All of the Follow Up items from the September meeting were either complete or on the October 11 agenda. Staff referenced handout 5 (iv) (c). This was first distributed in September but additional information was since added.

## ASSET ALLOCATION

Staff referenced handout 5 (v) and discussed the efficient frontier. There were multiple graphs with explanations. Each had the same message, adding asset classes to the investible universe expands the efficient frontier which in turn leads to higher expected returns, lower risk, or a combination of the two.

## QUALIFIED DOMESTIC RELATIONS ORDER (QDRO)

Staff discussed the plan expense incurred because one plan participant regularly brought QDRO questions and incomplete QDROs to Mr. Hoffman for review. The cost approached \$10,000. Staff will post procedures on line that will assure the plan bears as little cost as possible of administering divorce cases. Costs are properly shifted to the member.

## AMRSVA OCTOBER MEETING

This item was taken out of order and covered as part of 4(iv) Training Opportunities Committee.

## **NEW BUSINESS**

Mr. Tierney asked for a historical context of section 5.6 of the plan document. Staff said the section had been in the plan from the beginning. In 2002 disability provisions were modified. The provisions of 5.6 made sense prior to the 2002 changes, but did not make as much sense after the changes.

There was a motion by Mr. Tierney to:

Remove section 5.6 from the Plan Document. Request that Ms. Triggs (as Plan Administrator) not enforce or administer the provisions of Article 5.6 while this request is considered.

Ms. Mammarella seconded the motion.

Ms. Mammarella left at 11:20 AM.

Discussion: The motion of an investment board may not compel the administrator to act or cease from acting in her capacity as administrator. In this regard the motion is a request and not a requirement.

Ms. Niebauer requested the proposed plan document change be run by the City Attorney.

The motion passed (7-0).

Ms. Mammarella returned at 11:23 AM.

Mr. Tierney said he had been reading about passive investing having better results than active management. Staff largely agreed. Mr. Tierney asked if there was a decision made between the two. Staff said the active management came by default while being with Prudential because they had very few passive funds. Ms. Mammarella recalled the issue being mentioned. Staff said there had not been a thorough presentation and lengthy discussion on active versus passive investing. Staff said Norfolk's pension plan had switched from active to passive management

several years ago. Also, using a core and satellite approach the two could be melded. Chairman Cross said this should be placed on a future agenda.

## **NEXT MEETINGS**

Staff referenced handout 7 (iii), the proposed 2013 meeting schedule and asked everyone to check their appointments for potential conflicts.

The November 8 meeting will begin with Board presentations and follow with vendor presentations (Farmland & midcap).

Thursday, November 8, 2012, Sister City Room 1101

## **ADJOURNMENT**

There was a motion by Ms. Mammarella to:

Adjourn.
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Mr. Routt seconded the motion.

The motion passed (8-0). The meeting adjourned at 11:31 a.m.

## **HANDOUTS**

Distributed in advance to Board members

1. Agenda
2. Minutes of September 13, 2012 [2(i)]
3. Bylaws [4(ii)]
4. Investment & Rebalancing Report [5(i)(a)]
5. Cash Flow Report [5(i)(b)]
6. Administrator's Follow-Up Item List [5(iv)]
7. Demographic Update [5(iv)(c)]
8. Asset Allocation [5(v)]
9. 2013 Proposed Meeting Dates [7(iii)]

Distributed during the meeting:

- 1) Article 5.6 of the Plan Document
- 2) Draft presentation, Police & Firefighter Pension Cost Sharing Adjustment Mechanism
- 3) Top 50 domestic fixed income mutual funds most used by DC plans
- 4) Inverse relationship between the VIX and S&P500 grows even higher after financial crisis